

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-13 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-07 AID-05 OMB-01 TRSE-00 /085 W

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R 131403Z SEP 76

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 4406

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

DIA WASHDC

AMEMBASSY LONDON

USMISSION USNATO

AMEMBASSY PARIS

USCINCEUR

USDOCOSOUTH

USMISSION USUN

USMISSION EC BRUSSELS

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USCINCEUR FOR POLAD

USDOCOSOUTH FOR POLAD

E. O. 11652: N/A

TAGS: PFOR CY TU

SUBJECT: KONUK RETURNS FROM ANKARA WITH ADDITIONAL FINANCIAL
ASSISTANCE

1. "TFSC" PRIME MINISTER NEJAT KONUK RETURNED TO CYPRUS ON
SEPT 9 FOLLOWING NINE DAYS OF TALKS ON ECONOMIC AND
POLITICAL MATTERS WITH MAINLAND TURKISH LEADERS. KONUK WAS
ACCOMPANIED BY HIS MINISTERS OF FINANCE (ALTINAY) AND TRADE,
TOURISM AND INDUSTRY (ASAF). KONUK TOLD PRESS UPON HIS RETURN
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THAT "ALL NECESSARY FINANCIAL AND TECHNICAL AID, INCLUDING

FOREIGN RESERVES, HAD BEEN SECURED FROM TURKEY FOR THE FULFILLMENT OF THE DEVELOPMENT PROJECTS STIPULATED IN THE (TFSC) GOVERNMENT PROGRAM." TURK CYPRIOT PRESS HAS REPORTED -- AND TURKISH CONTACTS HERE HAVE GENERALLY CONFIRMED -- THAT TURKEY AGREED TO PROVIDE 200 MILLION TL IN CREDITS (\$12.5 MILLION) AS WELL AS \$5 MILLION IN FOREIGN EXCHANGE. SPECIFIC TERMS OF AGREEMENT NOT YET PUBLIC.

2. IN VIEW OF HIS ROUND OF TALKS WITH GOVERNMENT AND POLITICAL LEADERS AS WELL AS HIS STATEMENTS ON UDI TO INFLUENTIAL TURKISH MAINLAND NEWSPAPERS (HURRIYET AND MILLIYET), IT IS WIDELY ASSUMED HERE THAT UDI ALSO FIGURED IN THE DISCUSSIONS. IN ANY EVENT, ASKED IMMEDIATELY UPON HIS RETURN ABOUT UDI, KONUK REPORTEDLY TOLD PRESS THAT IT IS OUT OF THE QUESTION TO FIX A DATE AT THIS TIME FOR THE PROCLAMATION OF SEPARATE INDEPENDENCE.

3. COMMENT: AGREEMENT ON ADDITIONAL FINANCIAL ASSISTANCE FROM TURKEY IS IMPORTANT SUCCESS FOR "TFSC", WHICH IS UP TO ITS NECK IN DEBT, CHRONICALLY SHORT OF REVENUE, AND PERIODICALLY FORCED TO BORROW FROM COMMERCIAL BANKS TO PAY SALARIES OF ITS OUTRAGEOUSLY BLOATED CIVIL SERVICE. NEW AID AGREEMENT SHOULD TIDE "TFSC" OVER NEXT FEW MONTHS WHILE IT ENACTS LONG-OVERDUE TAXATION LEGISLATION, PUTS ITS FINANCIAL HOUSE IN ORDER, AND CONTINUES ITS EFFORTS TO GET TURKISH CYPRIOT ECONOMY MOVING.
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